



Review of the Quantifiable Business Case Project

King County Auditor's Office

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Labor, Operations & Technology Committee

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Quantifiable Business Case

- QBC involves a reconfiguration of how the county operates its business and personnel functions:
 - Financial (e.g., accounting)
 - Payroll
 - Budget
 - Human Resources
- Project now termed the Accountable Business Transformation (ABT)



Background

- After FSRP suspended in 2002, county established mission/vision for transforming how it conducts main business functions
 - Dye Management hired to develop a business case
- Business case conclusions:
 - Integrate financial and payroll systems and business practices; align human resource operations & enhance budget system
 - Substantial financial benefits are possible (e.g., payroll)
- Auditor's Office hired consultants to:
 - Validate costs and benefit assumptions
 - Evaluate overall cost benefit methodology



Auditor's Office Conclusions - 1

- Project shows potential to pay for itself, although benefits likely to be significantly lower than estimated in QBC
- To arrive at more reliable estimated figures:
 - Update and validate key cost information
 - Estimate benefits based on direct applicability to the county
 - Separately itemize costs and benefits for financial and personnel for better clarity
 - Majority of fiscal benefits generated in the human resource, not financial areas



Auditor's Office Conclusions - 2

- The costs and benefits should be expressed in terms of net present value over the life of the project
- The county should develop baseline costs, benchmarks, and performance measures
 - To accurately track costs and
 - To evaluate whether ABT meets the county's vision and goals for the project
- Non-quantified benefits also support the project



Auditor's Adjustments to QBC Benefits

	Financial-related areas	Human Resource-related areas	Total Project Value
QBC's Net Present Value (NPV) Benefits	\$34.3 million	\$141.8 million	\$176.1 million
Revised NPV benefits after auditor's technical adjustments	\$6.3 million	\$84.6 million	\$90.9 million
Revised NPV benefits after auditor's technical adjustments and after removing employee productivity benefit	\$6.3 million	\$11 million	\$17.3 million
Overall conclusion	Operating costs appear to be reasonable estimates, but the majority of implementation costs need updating.	Estimated benefits are overstated, and some major assumptions not validated. Conservative adjustments result in far lower benefits.	Project shows potential to pay for itself.



Recommendations

- Update cost data
- Validate costs and benefits & incorporate savings into project plan and schedule
- Separately analyze financial and human resource components
 - Express costs and benefits in terms of net present value
- Develop baseline costs, benchmarks and performance measures to better track costs and achievement of goals
- Executive response concurs